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Industry Report

Manufacture of leather and related products 2016 ROMANIA

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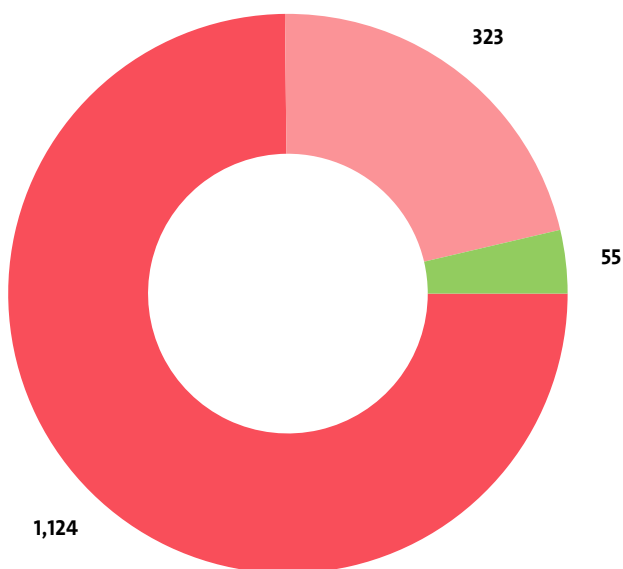
I. KEY INDICATORS

- The Manufacture of leather and related products industry in Romania was represented by 1,502 companies at the end of 2016, compared to 1,432 in the previous year and 1,347 in 2014.
- The industry's net profit amounted to RON 205,979,126 in 2016.
- The industry's total revenue was RON 5,347,092,551 in 2016, up by 5.74% compared to the previous year.
- The combined costs of the companies in the Manufacture of leather and related products industry reached RON 5,093,528,236 in 2016, up by 5.99% year-on-year.
- The industry's total revenue makes up 0.57% to the country's Gross domestic product (GDP) in 2016, compared to 0.59% for 2015 and 0.62% in 2014.
- A total of 48,997 people were employed in the Manufacture of leather and related products industry in 2016, compared to 51,642 in 2015 and 52,330 in 2014.
- Most of the companies in the industry are based in Bucharest, followed by Bihor and Timis.

II. INTRODUCTION

In 2016 the companies in the Manufacture of leather and related products industry numbered 1,502, distributed in 3 sectors.

INDUSTRY STRUCTURE BY SECTORS AND NUMBER OF COMPANIES



- Manufacture of footwear
- Manufacture of luggage, handbags and the like, saddlery and harness
- Tanning and dressing of leather; dressing and dyeing of fur

In 2015 there were a total of 1,432 companies operating in

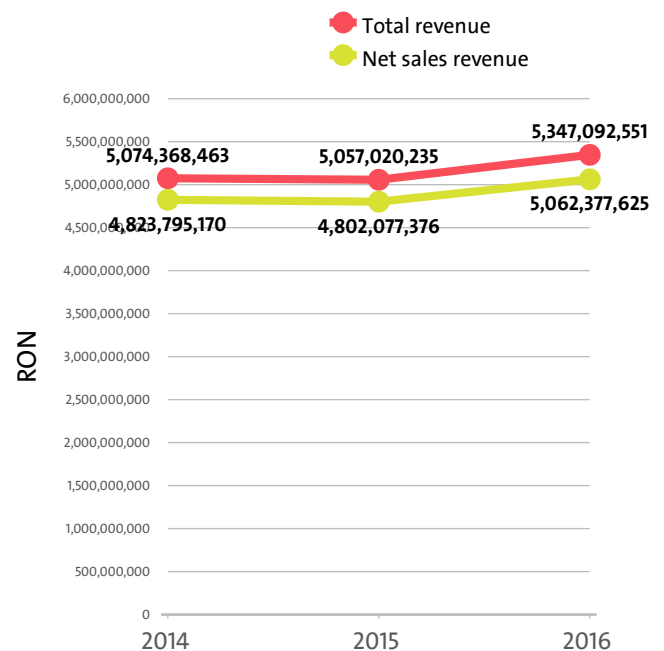
the industry. In 2014 their number totalled 1,347.

NUMBER OF COMPANIES IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS INDUSTRY BY SECTORS

SECTOR	2016	2015	2014
MANUFACTURE OF FOOTWEAR	1,124	1,074	1,014
MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	323	305	279
TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	55	53	54

III. REVENUES

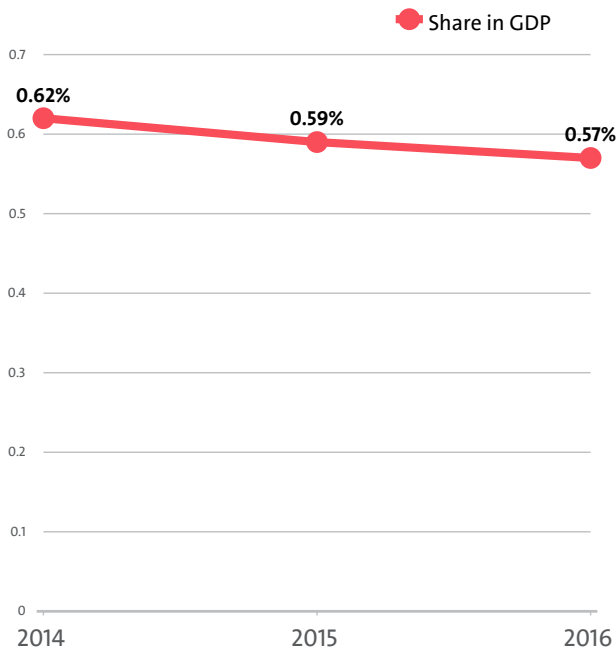
The total revenue in the industry was RON 5,347,092,551 in 2016, RON 5,057,020,235 in 2015 and 5,074,368,463 in 2014.



The companies in the Manufacture of leather and related products market of Romania earned combined net sales revenues of RON 5,062,377,625 in 2016.

In annual terms, sales marked a growth of 5.42% compared to 2015. In comparison to 2014 they rose by 4.95%. In 2015 sales increased by 0.45% year-on-year.

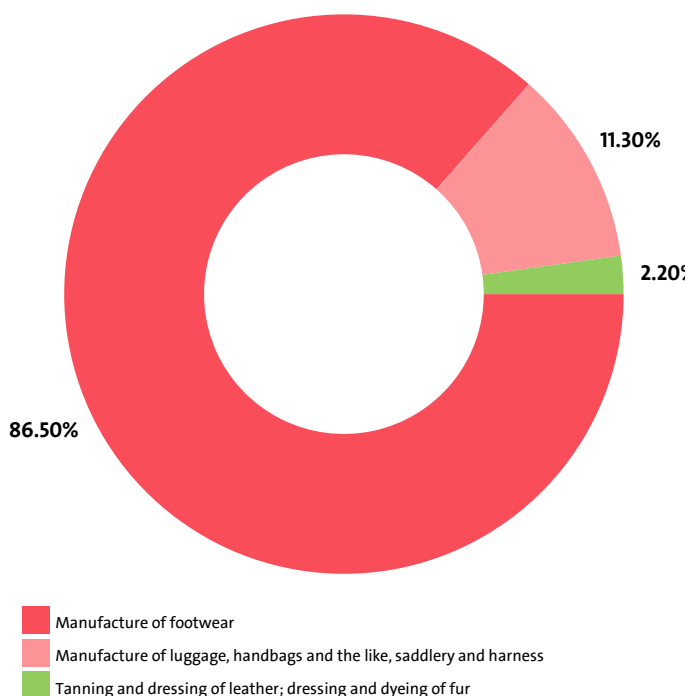
The Manufacture of leather and related products industry total revenue make up 0.57% to the country's GDP in 2016, compared to 0.59% for 2015 and 0.62% in 2014.



We expect, based on the trend in the last three years, the total revenue of the Manufacture of leather and related products industry to change at a compound annual growth rate (CAGR) of 2.65% in 2017.

Manufacture of footwear contributed net sales revenue of RON 4,379,122,010 or 86.50% of the total net sales in the industry, sector Manufacture of luggage, handbags and the like, saddlery and harness - RON 572,128,419 (11.30%), and sector Tanning and dressing of leather; dressing and dyeing of fur - RON 111,127,196 (2.20%).

INDUSTRY'S NET SALES REVENUE STRUCTURE BY SECTORS



The highest growth, of 13.94%, was recorded by Manufacture of luggage, handbags and the like, saddlery and harness, while

Tanning and dressing of leather; dressing and dyeing of fur registered the sharpest decline, of 6.87%.

TOP COMPANIES' REVENUE BY SECTORS

SEGMENT	COMPANY	TOTAL REVENUE (RON)	NET SALES REVENUE (RON)
TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR			
	ROMIPEL SRL	38,472,127	51,345,228
	PIELOREX SA	12,410,169	11,893,753
	DALRO SA	10,610,978	10,636,341
MANUFACTURE OF FOOTWEAR			
	RAFFAELLO SHOES FACTORY SRL	277,155,930	270,305,004
	ARA SHOES ROMANIA SRL	269,112,483	258,211,526
	RIEKER ROMANIA SRL	237,288,708	235,727,913
MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS			
	DTR DRAXLMAIER SISTEME TEHNICE ROMANIA SRL	187,597,182	179,389,213
	BELLARMA SRL	33,692,653	33,461,482
	V.P. TRADE INTERNATIONAL SRL	25,695,514	25,637,535

The top 10 companies in terms of total revenue in Manufacture of leather and related products accounted for 31.47% of the industry's total in 2016, 30.19% in 2015 and 33.22% in 2014.

TOP 10 COMPANIES BY TOTAL AND NET SALES REVENUE IN THE INDUSTRY

RANK	COMPANY	TOTAL REVENUE (RON)	NET SALE REVENUE (RON)
1	RAFFAELLO SHOES FACTORY SRL	277,155,930	270,305,004
2	ARA SHOES ROMANIA SRL	269,112,483	258,211,526
3	RIEKER ROMANIA SRL	237,288,708	235,727,913
4	DTR DRAXLMAIER SISTEME TEHNICE ROMANIA SRL	187,597,182	179,389,213
5	LLOYD SHOES ROMANIA SRL	149,195,763	147,671,191
6	BIHORE SRL	129,625,983	124,031,841
7	REKORD SRL	115,984,260	101,755,905
8	SIR SAFETY SRL	109,836,486	100,064,929
9	REROPAM SRL	104,213,300	95,847,990
10	MUSETTE EXIM SRL	102,801,705	73,471,721

The total revenues of the top 10 companies in the Manufacture of leather and related products were 0.18% of GDP in 2016, compared to 0.18% for 2015 and 0.21% in 2014.

The top 10 by assets in the Manufacture of leather and related products market made up RON 1,490,151,270, or 29.44% of the total net sales revenue.

TOP 10 BY TOTAL ASSETS IN THE INDUSTRY

RANK	COMPANY	RON
1	DTR DRAXLMAIER SISTEME TEHNICE ROMANIA SRL	188,871,952
2	REROPAM SRL	126,088,998
3	RAFFAELLO SHOES FACTORY SRL	115,415,350
4	REKORD SRL	106,164,665
5	ROMIPEL SRL	101,076,820
6	BIHORE SRL	98,617,962
7	MUSETTE EXIM SRL	73,776,606
8	RIEKER ROMANIA SRL	69,835,711
9	ARA SHOES ROMANIA SRL	59,312,831
10	SIR SAFETY SRL	55,336,560

TOP 10 COMPANIES BY TOTAL REVENUE IN THE MARKET TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR WERE:

COMPANY	RON
ROMIPEL SRL	38,472,127
PIELOREX SA	12,410,169
DALRO SA	10,610,978
PIM SA	8,673,813
TAMIV BUSINESS SRL	5,741,857
MESI DANNY DAY SRL	5,741,515
TARO INDUSTRY SRL	3,876,290
NAPPACONF SRL	3,331,458
TARO COMIMPEX SRL	2,656,304
LANGELLOTTI IMPEX SRL	2,529,440

The 10 largest companies in terms of total revenue in sector Manufacture of leather and related products earned total revenue of RON 94,043,951 and accounted for 1.76% of the industry's total revenue.

TOP 10 COMPANIES BY TOTAL REVENUE IN THE FIELD MANUFACTURE OF FOOTWEAR WERE:

COMPANY	RON
RAFFAELLO SHOES FACTORY SRL	277,155,930
ARA SHOES ROMANIA SRL	269,112,483
RIEKER ROMANIA SRL	237,288,708
LLOYD SHOES ROMANIA SRL	149,195,763
BIHORE SRL	129,625,983
REKORD SRL	115,984,260
SIR SAFETY SRL	109,836,486
REROPAM SRL	104,213,300
MUSETTE EXIM SRL	102,801,705
MELANIA NEW SRL	99,577,176

The 10 largest companies in terms of total revenue in sector Manufacture of leather and related products earned total revenue of RON 1,594,791,794 and accounted for 29.83% of the industry's total revenue.

TOP 10 COMPANIES BY TOTAL REVENUE IN THE FIELD MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS WERE:

COMPANY	RON
DTR DRAXLMAIER SISTEME TEHNICE ROMANIA SRL	187,597,182
BELLARMA SRL	33,692,653
V.P. TRADE INTERNATIONAL SRL	25,695,514
GT LINE ROMANIA SRL	19,427,860
HIPIC PROD IMPEX SRL	17,412,033
S.T.I. INTERNATIONAL SRL	16,524,560
DANA POINT SRL	11,996,674
ALAN TRADE SRL	11,558,890
VIOLA SRL	11,423,156
ATELIERELE UNIKA SRL	9,230,569

The 10 largest companies in terms of total revenue in sector Manufacture of leather and related products earned total revenue of RON 344,559,091 and accounted for 6.44% of the industry's total revenue.

IV. EXPENSES

The combined costs of the companies in the Manufacture of

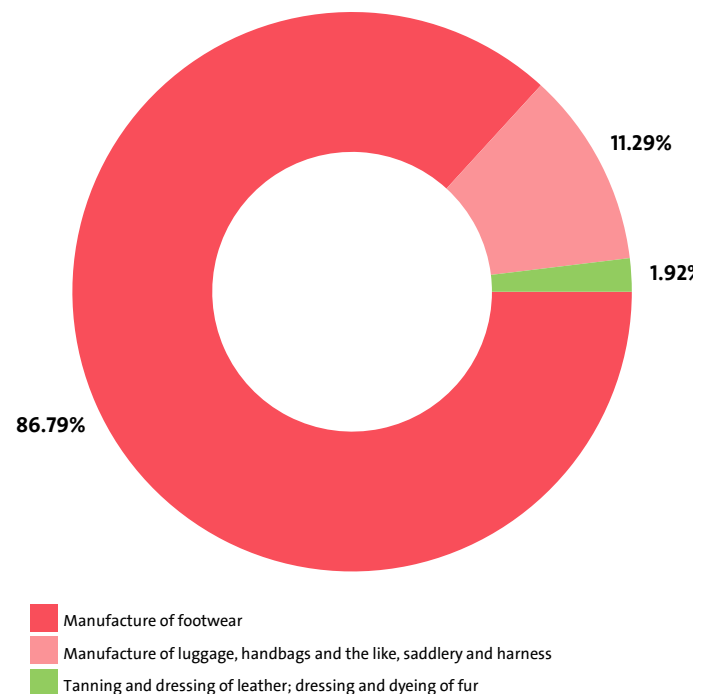
leather and related products industry reached RON 5,093,528,236 in 2016.

In annual terms, total expenses grew by 5.99% compared to 2015 and went up by 6.18% in comparison to 2014.

We expect, based on the trend in the last three years, the total costs of the Manufacture of leather and related products industry to change at a compound annual growth rate (CAGR) of 3.04% in 2017.

Manufacture of footwear reported the highest total costs, of RON 4,420,845,878, followed by Manufacture of luggage, handbags and the like, saddlery and harness with RON 574,966,981 and Tanning and dressing of leather; dressing and dyeing of fur with total costs of RON 97,715,377.

INDUSTRY'S TOTAL COSTS STRUCTURE BY SECTORS



Manufacture of luggage, handbags and the like, saddlery and harness marked the highest annual growth in total expenses, of 12.12%, while total expenses went down the most, by 19.17%, for Tanning and dressing of leather; dressing and dyeing of fur.

The biggest spenders in the industry, with costs of over 10% of industry's costs, numbered 31, including CFS-COMPONENTS FOR SHOES SRL, RASITAL SRL, RIEKER ROMANIA SRL, RILUG SRL, FINPROJECT ROMANIA SRL. The medium spenders, or those in the 5% and 10% range count 31 and include MARCO CONTROL SHOES SRL, GAINIKA SRL, NEW ECLIPSA SHOES SRL, TOPLITA SA, DUCATEX SRL. Below 5% threshold are 1,440 companies, including JOILA RO SRL, MANUAL STAR SRL, MARTELINO SHOES SRL, XEO SRL, LETIS EXTRA SRL.

Employment expenses in the Manufacture of leather and related products industry grew by 8.67% on the year to RON 1,390,136,941 in 2016.

The highest growth in labour costs, of 14.37%, was registered

by Manufacture of luggage, handbags and the like, saddlery and harness.

The monthly costs per employee in the Manufacture of leather and related products industry averaged RON 2,364 in 2016, RON 2,064 in 2015 and RON 1,919 in 2014.

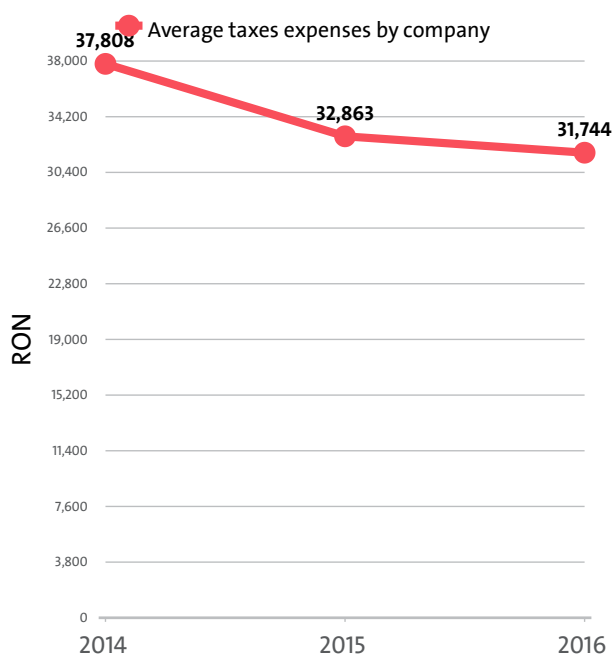
EMPLOYMENT EXPENSES IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS BY SECTORS IN 2016

RANK	SECTOR	EMPLOYMENT EXPENSES (RON)	AVERAGE EXPENSES PER EMPLOYEE (RON)
1	MANUFACTURE OF FOOTWEAR	1,142,178,568	27,626
2	MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	235,358,818	32,702
3	TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	12,599,555	27,691

THE TOP 10 COMPANIES BY AVERAGE MONTHLY COSTS PER EMPLOYEE IN THE INDUSTRY

RANK	COMPANY	RON
1	KEBO SRL	456,070
2	NOVELLO EC SRL	7,975
3	MISS MISS ITALY SRL	6,249
4	ROMIPEL SRL	5,673
5	NEW LEATHER CO SRL	4,963
6	STEMAC 2002 SRL	4,633
7	ADEGYONGY SRL	4,608
8	PETRIE BEHEER ROMANIA SRL	4,516
9	BREUS INCALTAMINTE SRL	4,377
10	HELIRIA SRL	4,350

The industry's tax expenses stood at RON 47,680,360 in 2016. In 2015 it paid taxes of RON 47,060,718. In 2014 the industry paid RON 50,927,905 in taxes.



EXPENSES ON TAXES BY SECTORS

RANK	SECTOR	RON	Y/Y CHANGE
1	MANUFACTURE OF FOOTWEAR	42,695,810	1.63%
2	MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	4,582,502	6.97%
3	TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	402,048	-47.37%

V. PROFITABILITY

The industry's net profit amounted to RON 205,979,126 in 2016, compared to a net profit of RON 203,702,675 in 2015 and a net profit of RON 226,182,225 in 2014.

TOP 10 COMPANIES BY HIGHEST NET PROFIT IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS

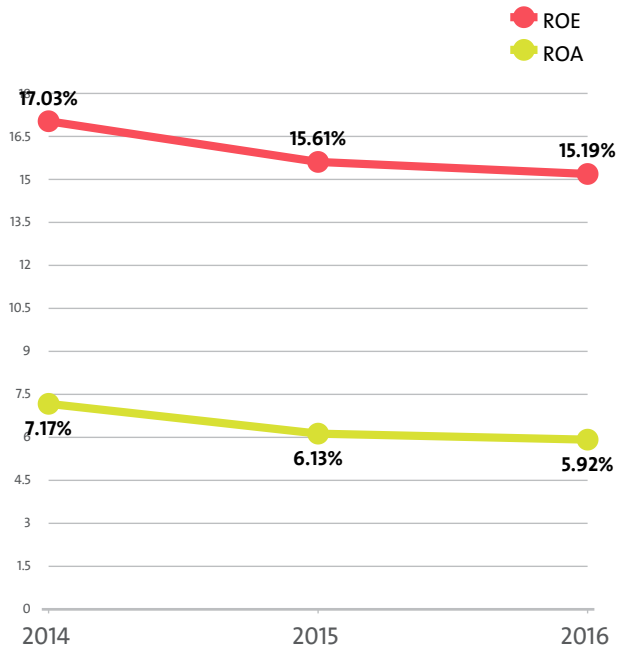
RANK	COMPANY	RON
1	REKORD SRL	17,883,785
2	MARELBO PROD-COM SRL	15,385,328
3	ILSOLE SRL	8,962,389
4	MUSETTE EXIM SRL	8,544,576
5	FINPROJECT ROMANIA SRL	8,418,876
6	DTR DRAXLMAIER SISTEME TEHNICE ROMANIA SRL	7,251,777
7	REROPAM SRL	6,611,677
8	RAFFAELLO SHOES FACTORY SRL	6,406,979
9	SIFA INTERNATIONAL SRL	5,980,345
10	BIHORE SRL	5,093,970

TOP COMPANIES BY HIGHEST NET LOSS IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS

RANK	COMPANY	RON
1	SILPA ROMANIA SRL	10,774,776
2	HIPIC PROD IMPEX SRL	5,484,986
3	ALPINA SHOE PRODUCTION SRL	2,657,443
4	THE BLACK ROCK 2013 SRL	2,335,247
5	THE YELLOW STONE COMPANY ROMANIA SRL	1,929,398

The Manufacture of leather and related products industry's return on equity (ROE) is 15.19% compared to 15.61% in 2015 and 17.03% in 2014.

The Manufacture of leather and related products's return on assets (ROA) was 5.92%, while in 2015 it amounted to 6.13% and 7.17% in 2014.



TOP 10 COMPANIES BY HIGHEST AVERAGE NET PROFIT PER EMPLOYEE IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS

RANK	COMPANY	RON	COMPANY HEADQUARTERS (CITY)
1	MASTER SHOES INTERNATIONAL SRL	396,573	BUCHAREST
2	CASA VERDE FILIP SRL	373,019	ALBA
3	MISS MISS ITALY SRL	366,423	BUCHAREST
4	COMEX-OTERY SRL	359,335	ILFOV
5	FASHION GREEN FILI SRL	340,431	ALBA
6	TUE SRL	332,233	ALBA
7	PERSIKUL SRL	277,594	CLUJ
8	VEROGIA DESIGN SRL	182,534	PRAHOVA
9	BELLE-ARTE BUSINESS SRL	179,473	BUCHAREST
10	D.V. TRANCE SRL	175,299	DOJ

About 30.00% of the 10 leading companies in terms of net profit per employee are located in Bucharest, while 30.00% are Alba-based and 10.00% are headquartered in Cluj.

The average net sales revenue per employee in the Manufacture of leather and related products industry amounted to RON 103,320 in 2016, up by 11.11% compared to 2015 and up by 12.08% compared to 2014.

The Manufacture of leather and related products sector generated an average RON 109,131 in total revenue per employee. In 2015 and 2014 the figure was RON 97,925 and RON 96,969, respectively.

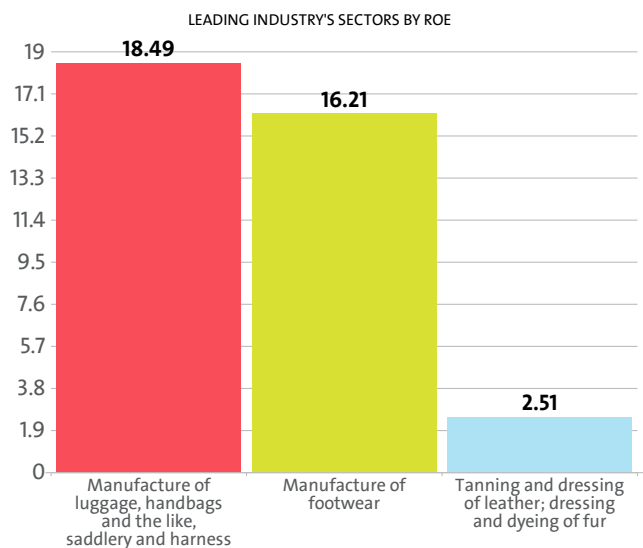
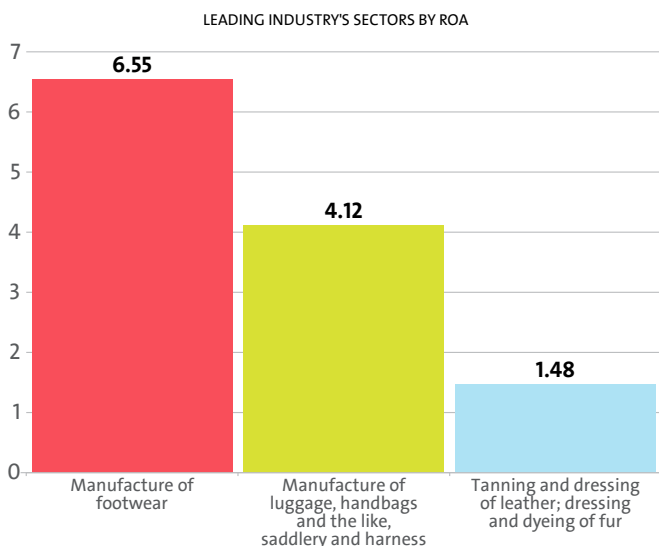
The average total revenue per company in the Manufacture of leather and related products industry increased to RON 3,559,982 in 2016 from RON 3,531,439 in 2015. The 2014 value was RON 3,767,163.

A company in the Manufacture of leather and related products sector made on average a net sales revenue of RON 3,370,425 in 2016, compared to RON 3,353,406 in 2015 and RON 3,581,140 in 2014.

The Manufacture of leather and related products industry made 0.43% of the overall sales country-wide, rising its market share by 0.01 pp.

AVERAGE REVENUES PER EMPLOYEE IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS IN 2016

SECTOR	AVERAGE NET SALES REVENUE (RON)	AVERAGE TOTAL REVENUE (RON)	NUMBER OF EMPLOYEES
TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	244,236	222,212	455
MANUFACTURE OF FOOTWEAR	105,917	112,380	41,345
MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	79,495	83,316	7,197



AVERAGE REVENUE PER COMPANY IN MANUFACTURE OF LEATHER AND RELATED PRODUCTS IN 2016

SECTOR	AVERAGE NET SALES REVENUE (RON)	AVERAGE TOTAL REVENUE (RON)	NUMBER OF COMPANIES
MANUFACTURE OF FOOTWEAR	3,896,016	4,133,775	1,124
MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	1,771,295	1,856,418	323
TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	2,020,494	1,838,300	55

The total indebtedness of the companies in the Manufacture of leather and related products industry was RON 2,080,228,683 versus RON 1,536,704,317 a year ago. In 2014 the industry's indebtedness totalled RON 1,790,956,114.

INDUSTRY'S INDEBTEDNESS BY SECTORS (RON)

SECTOR	2016	2015	2014
MANUFACTURE OF FOOTWEAR	1,633,613,392	1,202,281,573	1,396,917,040
MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	364,278,229	263,679,249	306,473,144
TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	82,337,062	70,743,495	87,565,930

Debt-to-assets ratio of the companies in the industry is 0.60 in 2016. It was 0.46 in 2015 and 0.57 in 2014.

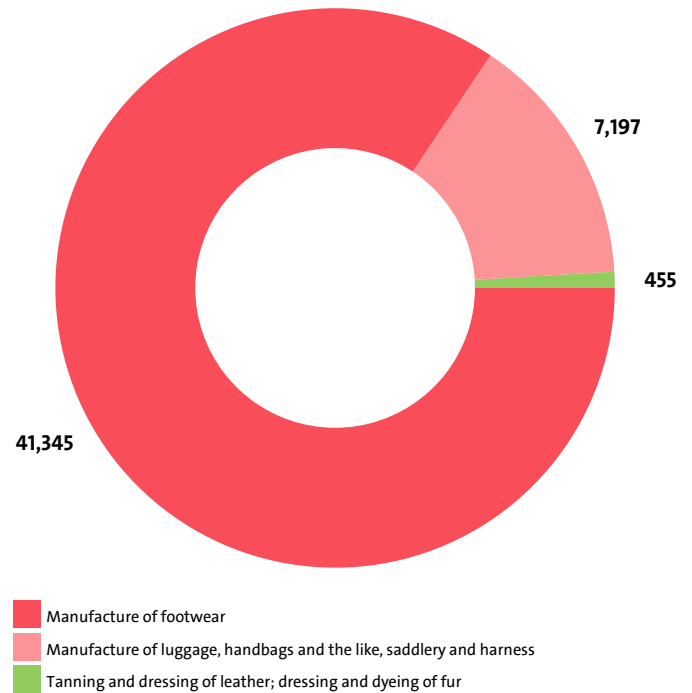
VI. EMPLOYMENT

A total of 48,997 people were employed in the Manufacture of leather and related products market at the end of 2016, compared to 51,642 in 2015 and 52,330 in 2014.

NUMBER OF EMPLOYEES BY INDUSTRY SECTORS

SECTOR	NUMBER	SHARE OF INDUSTRY TOTAL
MANUFACTURE OF FOOTWEAR	41,345	84.38%
MANUFACTURE OF LUGGAGE, HANDBAGS AND THE LIKE, SADDLERY AND HARNESS	7,197	14.69%
TANNING AND DRESSING OF LEATHER; DRESSING AND DYEING OF FUR	455	0.93%

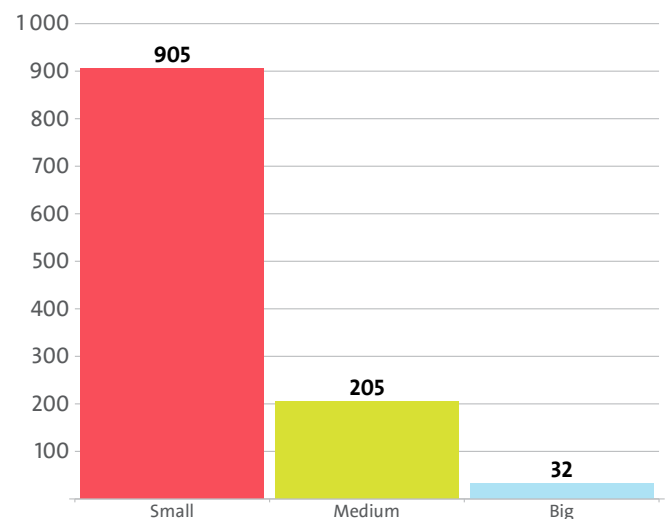
ALLOCATION OF EMPLOYEES BY INDUSTRY'S SECTORS



The analysis on companies' sizes by the number of employees, shows that 905 firms have less than 50 employees*, 205 have between 50 and 250 employees* and 32 companies employ more than 250*.

* Companies without data in the number of employees at end of the year are not taken into consideration.

COMPANIES IN THE INDUSTRY BY SIZE IN TERMS OF NUMBER OF EMPLOYEES



The employees of the leading 10 companies when it comes to numbers make up 17.66% of the workforce in the industry in 2016.

TOP 10 COMPANIES BY SHARE IN INDUSTRY'S TOTAL NUMBER OF EMPLOYEES

RANK	COMPANY	NUMBER OF EMPLOYEES	SHARE
1	DTR DRAXLMAIER SISTEME TEHNICE ROMANIA SRL	1,611	3.29%
2	ARA SHOES ROMANIA SRL	1,214	2.48%
3	VALENTI IMPEX SRL	945	1.93%
4	RAFFAELLO SHOES FACTORY SRL	795	1.62%
5	SOMAREST SRL	717	1.46%
6	LLOYD SHOES ROMANIA SRL	709	1.45%
7	BIHORE SRL	704	1.44%
8	RILUG SRL	695	1.42%
9	LUNA SHOES SRL	684	1.40%
10	ALPINA SHOE PRODUCTION SRL	580	1.18%

The Manufacture of leather and related products industry is the 25th largest employer in the country with 48,997 employees with the largest employer being Retail trade, except of motor vehicles and motorcycles with 437,697 and Activities of extraterritorial organisations and bodies at the bottom with 1 employees.

We expect, based on the trend in the last three years, the number of employees of the Manufacture of leather and related products industry to change at a compound annual growth rate (CAGR) of -3.24% in 2017.

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